

Message Text

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54

ACTION EA-14

INFO OCT-01 ISO-00 SPC-03 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

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R 180451Z OCT 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8484

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USLO PEKING

UNCLAS HONG KONG 10490

EO 11652: N/A

TAGS: ETRD CH

SUBJECT: PRC MID-1973 TRADE RETURNS: AN IMPRESSIVE PERFORMANCE

SUMMARY: CHINA'S TRADE WITH ITS EIGHT PRINCIPAL NON-COMMUNIST TRADE PARTNERS HAS INCREASED 67 PERCENT IN THE FIRST HALF OF 1973 OVER THE SAME PERIOD LAST YEAR. INCLUDED IS AN INCREASE IN PRC IMPORTS FROM THE US OF 400 PERCENT. WITH EXCEPTION OF MUCH LARGER US IMPORTS, HOWEVER, THE OVERALL DIRECTION, PATTERN AND COMMODITY COMPOSITION OF CHINA'S FOREIGN TRADE SHOULD REMAIN SIMILAR TO 1972, ALBEIT AT A 15 TO 20 PERCENT HIGHER LEVEL IN CURRENT DOLLARS. UNLESS ITS BOOMING EXPORT TRADE WITH HONG KONG AND USUAL SURPLUS WITH THIRD WORLD COUNTRIES ARE ABLE TO COMPENSATE FOR EXPECTED DEFICITS WITH THE US, JAPAN AND WESTERN EUROPE, THE PRC WILL PROBABLY SUSTAIN AN OVERALL TRADE DEFICIT THIS YEAR. END SUMMARY.

1. CHIN'S TRADE WITH ITS EIGHT PRINCIPAL NON-COMMUNIST

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TRADE PARTNERS (JAPAN, HK, CANADA, FRG, UK, FRANCE, USA

AND ITALY) HAS SHOWN IMPRESSIVE IMPROVEMENT IN THE FIRST HALF OF 1973. TOTAL TRADE WITH THE EIGHT ROSE TO \$2.2 BILLION, AN INCREASE OF 67 PERCENT OVER THE COMPARABLE PERIOD IN 1972. PRC EXPORTS INCREASED BY 52 PERCENT TO \$1.14 BILLION; IMPORTS BY 86 PERCENT TO \$1.06 BILLION. A GOOD PORTION OF THESE INCREASES ARE ACCOUNTED FOR BY THE US DOLLAR DEVALUATION, BUT VOLUME HAS ALSO INCREASED SUBSTANTIALLY. IN 1972, TRADE WITH THE EIGHT ACCOUNTED FOR 49 PERCENT OF CHINA'S TOTAL WORLD TRADE.

2. ON A COUNTRY-BY-COUNTRY BASIS, THE BREAKDOWN FOR PRC EXPORTS (WITH PERCENTAGE INCREASE OVER JAN-JUNE 1972) IS AS FOLLOWS: JAPAN \$398.7M (81); HONG KONG \$440.6M (42); WEST GERMANY \$70.4M (39); USA \$29M (106); BRITAIN \$53.9M (29); CANADA \$27.6M (54); FRANCE \$63.3M (28); ITALY \$51.4M (27). PRC IMPORTS WERE JAPAN \$472.7 M (55); HONG KONG \$2.6M (30); WEST GERMANY \$129.8M (78); USA \$118M (400); BRITAIN \$88.6M (179); CANADA \$176.6M (84); FRANCE \$42.3M (53); ITALY \$29.4M (LESS 37). (BASED ON FOUR MONTH PROJECTED FIGURES.)

3. WHILE THESE MID-YEAR FIGURES ARE IMPRESSIVE, THERE ARE FACTORS THAT MAKE IT UNWISE TO CONCLUDE THAT CHINA'S FOREIGN TRADE HAS EMBARKED ON AN EXPLOSIVE UPWARD TREND, OR WILL AS IN 1972, SHOW A SMALL SURPLUS. IN TERMS OF GROWTH, GERMAN EXPORTS SHOW THE INFLUENCE OF LARGE STEEL DELIVERIES FOR CONTRACTS SIGNED AT THE FALL 1972 CANTON TRADE FAIR. NO COMPARABLE SALES WERE MADE AT THE SPRING FAIR. UK EXPORTS REFLECT INCREASES OVER A LOW BASE. CANADIAN EXPORTS INCLUDE LARGE GRAIN SHIPMENTS WHICH WILL TAPER OFF IN THE NEXT SIX MONTHS. ALL OF THESE COUNTRIES WILL, HOWEVER, END THE YEAR WITH A TRADE SURPLUS. PRC-JAPAN TRADE HAS INCREASED AT A RATE OF 76 PERCENT THROUGH AUGUST, WITH A CHINESE DEFICIT OF \$97.3 MILLION. US TRADE SHOULD EXPAND AT A FASTER RATE THROUGH SECOND HALF 1973 WITH AN ESTIMATED PRC DEFICIT OF \$740 MILLION. UNLESS ITS BOOMING EXPORT TRADE WITH HONG KONG AND USUAL TRADE SURPLUS WITH THIRD WORLD COUNTRIES ARE ABLE TO COMPENSATE, THE PRC WILL PROBABLY SUSTAIN AN OVERALL TRADE DEFICIT THIS YEAR.

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